



**FREEMAN**

**CORPORATION LIMITED**

HK Stock Code : 279

**Interim Report 2007/2008**

## INTERIM FINANCIAL REPORT

The Board of Directors of Freeman Corporation Limited (the “Company”) hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2007. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th September, 2007*

	NOTES	For the six months ended 30th September,	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
REVENUE	3	<b>898,763</b>	96,241
Cost of sales		<b>(819,608)</b>	(97,912)
Gross profit/(loss)		<b>79,155</b>	(1,671)
Other income and gains		<b>21,782</b>	1,165
Gains arising from changes in fair value of investment properties, net		<b>982</b>	559
Gain on disposal of subsidiaries, net		<b>37</b>	52,416
Fair value losses on investment at fair value through profit or loss		<b>(209,829)</b>	(26,128)
Impairment loss on loans receivable		<b>-</b>	(118,752)
Fair value loss on derivative instrument		<b>-</b>	(1,872)
Administrative and other expenses		<b>(15,753)</b>	(11,483)
Finance costs		<b>(1,758)</b>	(1,969)
LOSS BEFORE TAX	5	<b>(125,384)</b>	(107,735)
Tax	6	<b>-</b>	2,384
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<b>(125,384)</b>	(105,351)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		(restated)
Basic		<b>HK(2.32) cents</b>	HK(8.43) cents
Diluted		<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2007

	NOTES	30.9.2007 HK\$'000 (Unaudited)	31.3.2007 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	19,203	2,145
Investment properties	10	73,680	63,340
Prepaid land premium		22,492	4,100
Goodwill		12,129	12,129
Investment in an associate		–	50,000
Available-for-sale investment		19,810	–
Deposits		5,166	3,036
Total Non-current Assets		<u>152,480</u>	<u>134,750</u>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	11	39,232	26,461
Loans receivable	12	165,175	295,230
Investments at fair value through profit or loss		348,564	132,006
Tax recoverable		27	27
Cash and bank balances		380,894	72,626
Total Current Assets		<u>933,892</u>	<u>526,350</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		10,596	8,804
Interest-bearing bank and other borrowings	13	3,600	21,457
Tax payable		40	–
Total Current Liabilities		<u>14,236</u>	<u>30,261</u>
<b>NET CURRENT ASSETS</b>		<u>919,656</u>	<u>496,089</u>

		<b>30.9.2007</b>	31.3.2007
	<i>NOTES</i>	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Audited)
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<b>1,072,136</b>	630,839
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	<b>66,620</b>	41,145
Deferred tax liabilities		<b>82</b>	456
Total Non-current Liabilities		<b>66,702</b>	41,601
Net assets		<b>1,005,434</b>	589,238
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	<b>651,931</b>	247,397
Reserves		<b>353,503</b>	341,841
Total Equity		<b>1,005,434</b>	589,238

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2007

	Issued capital HK\$'000	Share redemption premium HK\$'000	Capital reserve HK\$'000	Special reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment revaluation reserve HK\$'000	Distributable reserve HK\$'000	Share option reserve HK\$'000	Acc- umulated losses HK\$'000	Total HK\$'000
<b>(Unaudited)</b>										
<b>THE GROUP</b>										
As at 1st April, 2006	135,411	348,574	485	35,131	4,034	30,398	595,191	-	(647,581)	501,643
Issue of shares	131,000	-	-	-	-	-	-	-	-	131,000
Capital reorganisation	(133,205)	(327,552)	-	-	-	-	-	-	460,757	-
Share option	58	46	-	-	-	-	-	(14)	-	90
Expenses incurred in connection with the issue of shares	-	(2,700)	-	-	-	-	-	-	-	(2,700)
Elimination of translation reserve on disposal of subsidiaries	-	-	-	-	(4,034)	-	-	-	-	(4,034)
Loss on changes in fair value of available-for-sale investments	-	-	-	-	-	(39,830)	-	-	-	(39,830)
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	-	-	3,102	-	3,102
Loss for the period	-	-	-	-	-	-	-	-	(105,351)	(105,351)
At 30th September, 2006	<u>133,264</u>	<u>18,368</u>	<u>485</u>	<u>35,131</u>	<u>-</u>	<u>(9,432)</u>	<u>595,191</u>	<u>3,088</u>	<u>(292,175)</u>	<u>483,920</u>
At 1st April, 2007	247,397	109,094	485	35,131	-	-	595,191	-	(398,060)	589,238
Placings of shares	223,455	96,337	-	-	-	-	-	-	-	319,792
Rights issue of shares	156,399	26,437	-	-	-	-	-	-	-	182,836
Gain on changes in fair value of available-for-sale investments	-	-	-	-	-	226	-	-	-	226
Equity-settled share option arrangements	-	-	-	-	-	-	-	3,681	-	3,681
Exercise of share options	24,680	14,046	-	-	-	-	-	(3,681)	-	35,045
Loss for the period	-	-	-	-	-	-	-	-	(125,384)	(125,384)
At 30th September, 2007	<u>651,931</u>	<u>245,914</u>	<u>485</u>	<u>35,131</u>	<u>-</u>	<u>226</u>	<u>595,191</u>	<u>-</u>	<u>(523,444)</u>	<u>1,005,434</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2007

	For the six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (outflow)/inflow from operating activities	<b>(237,133)</b>	34,031
Net cash outflow from investing activities	<b>(1,814)</b>	(247,166)
Net cash inflow from financing activities	<b>547,215</b>	185,305
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>308,268</b>	(27,830)
Cash and cash equivalents at beginning of period	<b>72,626</b>	29,664
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>380,894</b>	1,834
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<b>380,894</b>	4,230
Bank overdrafts	<b>—</b>	(2,396)
	<hr/>	<hr/>
	<b>380,894</b>	1,834
	<hr/>	<hr/>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th September, 2007*

### **1. Basis of preparation**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issuance on 21st December, 2007.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006/2007 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2007/2008 annual financial statements. Details of these changes in accounting policies are set out in note 2. This interim financial report should be read in conjunction with the 2006/2007 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006/2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The financial information relating to the financial year ended 31st March, 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st March, 2007 are available from the Company’s registered office. The auditors have expressed a qualified opinion on those financial statements in their report dated 27th July, 2007.

## 2. Summary of the effects of the changes in accounting policies

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions

The HKAS 1 Amendment will affect the disclosures about qualitative information about the Group’s objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

The HK(IFRIC)-Int 8 addresses the application of HKFRS 2 to particular transactions in which the entity cannot identify specifically some or all of the goods or services received.

The HK(IFRIC)-Int 9 addresses the application of HKAS 39 that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, and prohibits subsequent reassessment throughout the life of the contract except for exceptional circumstances.

## 2. Summary of the effects of the changes in accounting policies (Continued)

The HK(IFRIC)-Int 10 addresses the interaction between the requirements of HKAS 34 and the recognition of impairment losses on goodwill in HKAS 36 and certain financial assets in HKAS 39 and that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The HK(IFRIC)-Int 11 prescribes that when the parent grants rights to equity instruments to the employees of the subsidiary, the subsidiary should account for such a scheme as an equity-settled scheme and as an equity contribution by parent.

The adoption of the above new and revised HKFRSs has no material impact on the methods of computation in the Group's condensed consolidated financial statements.

## 3. Revenue

Revenue represents the net amounts received and receivable from sales of securities, interest income from provision of finance, dividend and interest income from investments in securities, rental income, insurance agency and brokerage income during the period, and is analysed as follows:

	For the six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of securities	885,892	78,530
Interest income from provision of finance	7,316	14,136
Dividend and interest income from investments in securities	1,263	3,320
Rental income	1,120	255
Insurance agency and brokerage income	3,172	—
	<b>898,763</b>	<b>96,241</b>

#### 4. Segment information

The Group is organised into five (2006: five) main operating segments: provision of finance, trading of securities, property holding and investment, insurance business and investment activities.

These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

##### *Business Segments*

	For the six months ended 30th September, 2007						
	Provision of finance HK\$'000 (Unaudited)	Trading of securities HK\$'000 (Unaudited)	Property holding and investment HK\$'000 (Unaudited)	Insurance agency and brokerage HK\$'000 (Unaudited)	Investment activities HK\$'000 (Unaudited)	Elimination of intersegment transactions HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
SEGMENT REVENUE	7,316	887,155	1,450	3,172	8,829	(9,159)	898,763
SEGMENT RESULTS	7,416	(137,245)	1,730	11,703	9,513	(9,159)	(116,042)
Unallocated corporate expenses							(7,584)
Finance costs							(1,758)
Loss before tax							(125,384)
Tax							-
Loss for the period							(125,384)

#### 4. Segment information (Continued)

##### *Business Segments* (Continued)

	For the six months ended 30th September, 2006					
				Property		
	Trading of	Provision of	Trading of	holding and	Investment	Consolidated
	goods	finance	securities	investment	activities	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE	–	14,136	78,530	255	3,320	96,241
SEGMENT RESULTS	(25)	(104,453)	(45,394)	480	51,853	(97,539)
Unallocated corporate expenses						(8,227)
Finance costs						(1,969)
Loss before tax						(107,735)
Tax						2,384
Loss for the period						(105,351)

## 5. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Negative goodwill arising from acquisition of a subsidiary	–	(893)
Depreciation	711	353
Equity-settled share option expenses	2,502	2,336
Share-based payment paid to business partners	1,179	766
	<u>1,179</u>	<u>766</u>

## 6. Tax

No provision for tax was made as the Group has not derived any estimated assessable profit for the period (2006: tax credit in the period represents overprovision of Hong Kong Profits Tax in previous years).

## 7. Dividend

The directors do not recommend the payment of any interim dividend for the period (2006: nil).

## **8. Loss per share attributable to ordinary equity holders of the Company**

### ***(a) Basic loss per share***

The calculation of basic loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$125,384,000 (2006: HK\$105,351,000) and on the weighted average of 5,393,485,816 (2006: 1,250,407,112 as restated) ordinary shares in issue.

### ***(b) Diluted loss per share***

Diluted loss per share amounts for the periods ended 30th September, 2007 and 2006 have not been disclosed, as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share amounts for these periods.

## **9. Property, plant and equipment**

During the period, the Group acquired property, plant and equipment of HK\$7,217,000 (2006: HK\$1,186,000), transferred from investment property to property, plant and equipment of HK\$11,937,000 (2006: Nil) and transfer from property, plant and equipment to investment property of HK\$1,029,000 (2006: Nil).

## 10. Investment properties

	<b>30.9.2007</b>	31.3.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Carrying amount at 1st April	<b>63,340</b>	3,000
Acquisition of a subsidiary	–	9,033
Additions	<b>50,502</b>	59,550
Transfer from owner-occupied property	<b>5,166</b>	–
Disposal of a subsidiary	<b>(11,500)</b>	(2,200)
Disposal	–	(2,000)
Transfer to owner-occupied property	<b>(34,810)</b>	(5,200)
Change in fair value of investment properties	<b>982</b>	1,157
	<hr/>	<hr/>
Carrying amount at 30th September/ 31st March	<b>73,680</b>	63,340
	<hr/>	<hr/>

The fair values of the Group's investment properties at 30th September, 2007 have been arrived at on the basis of valuation performed by independent professionally qualified valuers on an open market, existing use basis.

## 11. Prepayments, deposits and other receivables

	<b>30.9.2007</b>	31.3.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Deposits and prepayments	<b>2,131</b>	839
Other receivables	<b>35,419</b>	23,586
Advances to employees/agents	<b>1,682</b>	2,036
	<hr/>	<hr/>
	<b>39,232</b>	26,461
	<hr/>	<hr/>

## 12. Loans receivable

	<b>30.9.2007</b>	31.3.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Floating rate loans receivable	<b>165,175</b>	362,709
Less: Impairment	–	(67,479)
	<b>165,175</b>	295,230

Loans receivable represent receivables arising from the provision of finance business of the Group, and bear interest at rates ranging from the Hong Kong dollar prime rate quoted by the Hong Kong and Shanghai Banking Corporation Limited (the “Prime Rate”) per annum to Prime Rate plus 3% per month. The grantings of these loans were approved and monitored by the Company’s executive directors in charge of the Group’s provision of finance operation.

## 13. Interest-bearing bank and other borrowings

	<b>30.9.2007</b>	31.3.2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Current:		
Bank loans – secured	<b>3,560</b>	1,928
Other borrowings – secured	<b>40</b>	–
Other borrowings – unsecured	–	19,529
	<b>3,600</b>	21,457
Non-current:		
Bank loans – secured	<b>66,620</b>	41,145
	<b>70,220</b>	62,602

## 14. Share capital

	<i>Notes</i>	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Authorised:			
Balance at 1st April, 2006 of HK\$0.20 each		10,000,000,000	2,000,000
Capital reorganisation	<i>(c)</i>	–	(1,000,000)
Balance at 31st March, 2007 of HK\$0.10 each		10,000,000,000	1,000,000
Increase in authorised capital	<i>(h)</i>	40,000,000,000	4,000,000
Balance at 30th September, 2007		<u>50,000,000,000</u>	<u>5,000,000</u>
Issued and fully paid:			
Balance at 1st April, 2006 of HK\$0.20 each		677,056,202	135,411
Placing of new shares	<i>(a)</i>	600,000,000	120,000
Issue of consideration shares	<i>(b)</i>	55,000,000	11,000
Capital reorganisation	<i>(c)</i>	–	(133,206)
Issue of consideration shares	<i>(d)</i>	200,000,000	20,000
Placing of new shares	<i>(e)</i>	412,000,000	41,200
Conversion of convertible notes	<i>(f)</i>	226,337,447	22,634
Share options exercised	<i>(g)</i>	303,580,000	30,358
Balance at 31st March, 2007 of HK\$0.10 each		2,473,973,649	247,397
Placing of new shares	<i>(i)</i>	654,000,000	65,400
Rights issue of new shares	<i>(j)</i>	1,563,986,824	156,399
Placing of new shares	<i>(k)</i>	494,000,000	49,400
Placing of new shares	<i>(l)</i>	1,086,552,000	108,655
Share options exercised	<i>(m)</i>	246,800,000	24,680
Balance at 30th September, 2007		<u>6,519,312,473</u>	<u>651,931</u>

## 14. Share capital (Continued)

### *Notes:*

- (a) On 24th April, 2006 and 22nd May, 2006, the Company allotted and issued 300,000,000 and 300,000,000 ordinary shares of HK\$0.20 each for cash to independent third parties at a price of HK\$0.20 per share.
- (b) On 8th June, 2006, a sale and purchase agreement was entered into with an independent third party to acquire an additional 53,800,000 ordinary shares of Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited) for a consideration of HK\$11,000,000, which was settled by the issuance of 55,000,000 new ordinary shares of the Company of HK\$0.20 each at HK\$0.20 per share.
- (c) The Company effected a capital reorganisation on 22nd August, 2006 which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK\$0.20 to HK\$0.10 each by the cancellation of HK\$0.10 of the paid-up capital for each issued ordinary share; (ii) the cancellation of the credit arising from such reduction towards the accumulated losses of the Company in the amount of HK\$133,205,620; and (iii) the cancellation of the then existing authorised and unissued ordinary shares of 8,667,943,798 and a subsequent increase of the authorised share capital of the Company by the creation of the same number of ordinary shares of HK\$0.10 each.
- (d) On 18th October, 2006, a sale and purchase agreement was entered into with an independent third party to acquire 100% equity interest in Cinergy Holdings Limited and its subsidiaries (the "Cinergy Group") for a consideration of HK\$53,000,000, which was settled by the issuance of 200,000,000 new ordinary shares of the Company of HK\$0.10 each at HK\$0.265 per share.
- (e) On 9th November, 2006 and 8th March, 2007, the Company allotted and issued 66,000,000 and 346,000,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.25 and HK\$0.10 per share, respectively.
- (f) During the year ended 31st March, 2007, 226,337,447 new ordinary shares of HK\$0.10 each of the Company were issued upon the conversion of convertible notes with principal amount totalling HK\$55,000,000 issued by the Company.

## 14. Share capital (Continued)

- (g) During the year ended 31st March, 2007, the subscription rights attaching to 303,580,000 share options granted to certain employees and consultants were exercised at subscription prices ranging from HK\$0.124 to HK\$0.155 per share, resulting in the issue of 303,580,000 new ordinary shares of the Company of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$41,785,000.
- (h) On 16th July, 2007, the Company effected an increase in authorised share capital whereby its authorised share capital was increased to HK\$5,000,000,000 divided into 50,000,000,000 shares from HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each by the creation of additional 40,000,000,000 shares of HK\$0.10 each.
- (i) On 19th April 2007, the Company allotted and issued 654,000,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.10 per share.
- (j) A rights issue of one rights share for every two existing shares held by members on the register of members on 26th April, 2007 was made, at an issue price of HK\$0.12 per rights share, resulting in the issue of 1,563,986,824 ordinary shares of HK\$0.10 each.
- (k) On 31st May 2007, the Company allotted and issued 494,000,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.130 per share.
- (l) On 12th July 2007, the Company allotted and issued 1,086,552,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.182 per share.
- (m) During the six months ended 30th September, 2007, the subscription rights attaching to 246,800,000 share options granted to certain employees and business partners were exercised at subscription prices of HK\$0.142 per share, resulting in the issue of 246,800,000 new ordinary shares of the Company of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$35,046,000.

## 15. Share option scheme

The share option scheme of the Company was approved and adopted by the shareholders at the extraordinary general meeting held on 23rd August, 2002 (the “2002 Scheme”). The 2002 Scheme shall be valid and effective for a period of 10 years commencing from 23rd August, 2002. Details of the 2002 Scheme are as disclosed in the Company’s 2006/2007 Annual Report.

During the period, a total of 246,800,000 share options were granted under the 2002 Scheme and all of which had been exercised.

Details of the movements in the Company’s share option scheme are as follows:

	Date of grant	Exercisable period	Subscription price per share	Number of share options				Outstanding at 30.9.2007
				Outstanding at 1.4.2007	Granted during the period	Exercise during the period	Cancelled during the period	
Kwong Wai Tim, William (Director)	16.1.2004	16.1.2004 to 15.1.2009	1.20	1,500,000	-	-	(1,500,000) (Note)	-
Employees	11.5.2007	11.5.2007 to 10.5.2012	0.142	-	167,800,000	(167,800,000)	-	-
Business partners	11.5.2007	11.5.2007 to 10.5.2012	0.142	-	79,000,000	(79,000,000)	-	-
				<u>1,500,000</u>	<u>246,800,000</u>	<u>(246,800,000)</u>	<u>(1,500,000)</u>	<u>-</u>

Note: The share options were surrendered and cancelled on 16th April, 2007.

## 16. Pledge of assets

At 30th September, 2007, (i) investments held for trading of approximately HK\$348,564,000 were pledged to a financial institution to secure margin financing of HK\$40,000 provided to the Group (ii) prepaid land premium and building of approximately HK\$22,492,000 and HK\$11,862,000 respectively were pledged to a bank to secure loan facilities granted to the Group and (iii) investment properties of total carrying amount of HK\$73,680,000 were pledged to banks to secure loan facilities granted to the Group.

## 17. Post balance sheet events

- (a) On 22nd October, 2007, the Group entered into a heads of agreement with a third party for the sale of 120,000,000 ordinary shares of Freeman Financial Services Limited (“FFSL”), a subsidiary of the Group, for a cash consideration of HK\$120,000,000 after the future increase in the issued share capital of FFSL. The transaction has not been completed at the date of issuance of this interim report.
- (b) On 29th October, 2007, the Group, Dr. Yang Fan Shing, Andrew (the Chairman of the Company), two directors of a subsidiary of the Group and an executive of a subsidiary of the Group entered into a deed of settlement with a third party for the discontinuance and final settlement in respect of an arbitration process with that party. Pursuant to the deed of settlement, the Group had paid HK\$6.3 million to that third party for the full and final settlement of the matter.
- (c) On 3rd December, 2007, the Company proposed a capital reorganisation whereby (i) the nominal value of all the issued shares be reduced from HK\$0.10 each to HK\$0.01 each by cancelling HK\$0.09 paid up on each issued share by way of a reduction of capital; (ii) the part of the credit arising from such reduction be applied towards cancelling the accumulated deficit of the Company with any balance be transferred to a distributable capital reduction reserve account; and (iii) every 10 reduced shares of HK\$0.01 each be consolidated into one adjusted share of HK\$0.10 each.

The proposed capital reorganisation is subject to the approval by the Grand Court of the Cayman Islands and by the shareholders of the Company and has not been completed at the date of issuance of this interim report.

## 17. Post balance sheet events (Continued)

- (d) The Company entered into a placing agreement and a supplemental agreement with a placing agent on 11th July, 2007 and 21st August, 2007 respectively for the placing of convertible notes in an aggregate principal amount of up to HK\$1,500 million with a conversion price of HK\$0.12 per share. Convertible notes in the principal amount of HK\$250 million were issued by the Company in October, 2007. On 3rd December, 2007, the Company and the said placing agent entered into a termination deed whereby the placing agreement as amended by the supplemental agreement was terminated and the placing of the convertible notes in an aggregate principal amount of up to HK\$1,250 million on a best effort basis will not be effected.
  
- (e) On 3rd December, 2007 and 4th December, 2007, the Company entered into an underwriting agreement and a supplemental agreement respectively with an underwriter in respect of a proposed rights issue of not less than 4,072,156,235 rights shares and not more than 5,223,254,145 rights shares at a price of HK\$0.12 per rights share. The proposed rights issue has not been completed at the date of issuance of this interim report.

## INTERIM DIVIDEND

The directors of the Company (the “Directors”) have resolved not to declare an interim dividend for the six months ended 30th September, 2007 (2006: Nil).

## INTERIM RESULTS

For the six months ended 30th September, 2007, the Group recorded a loss of HK\$125,384,000 compared against a loss of HK\$105,351,000 for the corresponding period in 2006. Loss per share was HK2.32 cents (2006: HK8.43 cents, as restated).

The turnover of the Group, comprising mainly sales of securities, interest income from provision of finance, insurance agency and brokerage income, amounted to HK\$898,763,000 and increased by about 834% when compared with HK\$96,241,000 for the six months ended 30th September, 2006.

## OPERATIONS REVIEW

For the period under review, the Group was principally engaged in the trading of securities, provision of finance, property holding, insurance business and investment holding.

During the period, the Group had further strengthened its business in securities trading in view of the improvement in the local stock market. Revenue of trading of securities and its related income for the period was HK\$887,155,000 (2006: HK\$78,530,000). The segment had recorded a loss of HK\$137,245,000 after taking into account of the changes in fair values of listed securities held for trading.

Turnover of the provision of finance business for the period was amounted to HK\$7,316,000 (2006: HK\$14,136,000). The business recorded a profit of HK\$7,416,000 in this period (2006: loss of HK\$104,453,000).



In view of the improvement in the local property market, the Group had increased its investment in properties in the period. As at 30th September, 2007, the amount of the investment properties was HK\$73,680,000 compared with the amount of HK\$63,340,000 at 31st March, 2007.

The insurance agency and brokerage business of the Group recorded a turnover and a profit of HK\$3,172,000 and HK\$11,703,000 in the period respectively. Since the acquisition of the insurance brokerage business in November, 2006, the Group has been leveraging on the experiences of our insurance business management team and working on the application for authorisation to conduct long term life insurance business in Hong Kong.

During the period, the Group had disposed of its investment in the financial services group, Hennabun Capital Group Limited (formerly known as Hennabun Management International Limited).

## FINANCIAL REVIEW

### **Liquidity, Financial Resources and Capital Structure**

At 30th September, 2007, net current assets of the Group amounted to HK\$919,656,000 (31.3.2007: HK\$496,089,000) with cash and bank balances of HK\$380,894,000 (31.3.2007: HK\$72,626,000).

As at 30th September, 2007, the Group had secured bank loans of HK\$70,180,000 (31.3.2007: HK\$43,073,000) and margin financing payable of HK\$40,000 (31.3.2007: Nil). Gearing ratio calculated on the basis of the Group's total borrowings over shareholders' funds was 6.98% (31.3.2007: 10.62%) at the balance sheet date. The secured bank loans and margin financing payable of the Group carried floating interest rates calculated by reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar. There is no exposure to fluctuations in exchange rates in relation to the borrowings.



The Group had no material capital commitment at the period end date. In light of the amount of liquid assets in hand and banking facility available, the Directors are of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

The Group's assets portfolio is mainly financed by its shareholders' funds. At 30th September, 2007, the Group had shareholders' funds of HK\$1,005,434,000 (31.3.2007: HK\$589,238,000). During the period, the Company had completed placements of a total of 2,234,552,000 new shares and rights issue of 1,563,986,824 shares. The capital base of the Company had been much improved after the said financing exercises.

### **Foreign Currency Management**

Most of the Group's transaction are denominated in Hong Kong Dollars. The Group's foreign currency transactions are mainly denominated in Renminbi. As material fluctuation in exchange rate of Hong Kong dollars to Renminbi is not expected, the Directors are of the view that the Group's exposure to exchange rate risk is not significant.

### **Pledge of Assets**

At 30th September, 2007, (i) investments held for trading of approximately HK\$348,564,000 were pledged to a financial institution to secure margin financing of HK\$40,000 provided to the Group (ii) prepaid land premium and building of approximately HK\$22,492,000 and HK\$11,862,000 respectively were pledged to a bank to secure loan facilities granted to the Group and (iii) investment properties of total carrying amount of HK\$73,680,000 were pledged to banks to secure loan facilities granted to the Group.

### **Contingent Liabilities**

The Group had no material contingent liabilities at 30th September, 2007.



## BUSINESS PROSPECTS

The Group has been aiming at the establishment of a well managed financial services conglomerate which include insurance and related businesses. In July 2007, the Group had submitted its initial application to the regulatory authority for approval to carry out long term life insurance business in Hong Kong. The application process is now still in progress and the Group is also working on the preparation for the future operation of the life insurance business if authorisation from the regulating authority can be obtained.

Besides long term life insurance business, the Group is also considering and exploring other appropriate investment opportunities which may strengthen our business and revenue base.

## EMPLOYEES AND REMUNERATION POLICY

As 30th September, 2007, the Group employed about 39 staff members including directors of the Company. Staff costs incurred for the period, including directors' remuneration, were HK\$5,511,000 (2006: HK\$3,755,000).

It is the remuneration policy of the Group to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Remuneration packages, including the grant of share options, are structured to motivate individual performance and contributions to the Group.

## SHARE OPTION SCHEME

The directors have estimated the following theoretical valuations of the options granted during the period from 1st April, 2007 to 30th September 2007, calculated using the Black-Scholes options pricing model as at the date of the grant of the options:

<b>Grantee</b>	<b>Number of options granted during the year</b>	<b>Theoretical value of share options</b> HK\$'000
Employees	167,800,000	2,502
Business partners	79,000,000	1,179
	<u>246,800,000</u>	<u>3,681</u>

The Black-Scholes model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the theoretical value of the options granted by the Company were: expected volatility: 63.37%, risk-free interest rate: 3.76%, expected life of options: 0.16 year and exercise price: HK\$0.142.

The measurement date used in the valuation calculations was the date on which the options were granted.

The value of share options calculated using the Black-Scholes model is subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Details of the movements in the Company's share options scheme are also shown in note 15 to the condensed financial statements.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30th September, 2007, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Long positions in the shares of the Company

Name of Director	Capacity and number of ordinary shares held				Approximate percentage of shareholding
	Beneficial owner	Interest of controlled corporation	Interest of spouse	Total	
Yang Fan Shing, Andrew	30,000,000	396,000,000 (Note)	2,000,000	428,000,000	6.57%
Kwok Wai Ming	22,500,000	-	-	22,500,000	0.35%

*Note:*

These shares represent shares held by Parkson Group Limited in which Dr. Yang Fan Shing, Andrew, beneficially owns the entire issued share capital.

(ii) Short positions in the shares of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Yang Fan Shing, Andrew	Interest of controlled corporation	200,000,000	3.07%

The interests stated above represent the directors' interests in the shares of the Company, the directors' interests in the share options of the Company are disclosed in the section headed "Share Option Scheme" above and note 15 to the condensed financial statement.

Save as disclosed above, at 30th September, 2007, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the six months ended 30th September, 2007 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the directors, or their spouses or children under the age of eighteen, had any right to subscribe for the securities of the Company, or had exercised any such rights during the period.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 30th September, 2007, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

### (i) Long positions in shares of the Company:

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Willie International Holdings Limited	Interest of controlled corporation	520,618,000	7.99%
Forefront Group Limited	Interest of controlled corporation	405,128,000	6.21%
Parkson Group Limited	Beneficial owner	396,000,000 (Note 1)	6.07%
Unity Investments Holdings Limited	Beneficial owner	386,532,000	5.93%
Liu Lai Shim, Regina	Beneficial owner, interest of spouse	428,000,000 (Note 2)	6.57%

#### Notes:

1. Parkson Group Limited, the entire issued share capital of which is beneficially owned by Dr. Yang Fan Shing, Andrew, is interested in 396,000,000 Shares.
2. These shares represent 2,000,000 shares currently held by Ms. Liu Lai Shim, Regina, the wife of Dr. Yang Fan Shing, Andrew, an executive Director and chairman of the Company, 30,000,000 shares currently held by Dr. Yang Fan Shing, Andrew and 396,000,000 shares currently held by Parkson Group Limited which entire issued share capital is held by Dr. Yang Fan Shing, Andrew and therefore Ms. Liu Lai Shim, Regina is deemed to have such interest in the shares.

## (ii) Short positions in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Parkson Group Limited	Beneficial owner	200,000,000	3.07%
Liu Lai Shim, Regina	Interest of Spouse	200,000,000	3.07%

Save as disclosed above, at 30th September, 2007, the Company had not been notified by any persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2007.

## AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30th September, 2007 have not been audited, but have been reviewed by the Audit Committee which comprises all the four independent non-executive directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the condensed financial statements for the period.



## CORPORATE GOVERNANCE

The Company adopted all the code provisions in the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices. During the six months ended 30th September, 2007, the Company has complied with the code provisions as set out in the Code and there has been no material deviations from the Code.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that in respect of the six months ended 30th September, 2007, all directors have complied with the required standard set out in the Model Code.

By Order of the Board

**Yang Fan Shing, Andrew**

*Chairman*

Hong Kong, 21st December, 2007